



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

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|-------------------------|-------------|----------------|---------------------------------|
| Bill # | SB0192 | Title: | Small business work comp relief |
| Primary Sponsor: | Zinke, Ryan | Status: | As Amended in Senate Committee |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| Proprietary | \$86,377 | \$96,169 | \$98,372 | \$100,631 |
| Revenue: | | | | |
| Proprietary | \$86,377 | \$96,169 | \$98,372 | \$100,631 |
| Net Impact-General Fund Balance: | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Description of fiscal impact: Montana State Fund (MSF) may develop a group program for small businesses that have a workplace safety program and a transitional and return to work program. MSF will need to hire staff and incur expenses to execute the program.

FISCAL ANALYSIS

Assumptions:

Montana State Fund

1. This bill will provide an opportunity for individual employers to pool risk with other employers who have safety programs. The group will have the potential to generate a return of premium through the reduction of losses.
2. The losses and expenses of the group will be evaluated at a predetermined point in time after the close of the plan period and compared to premium. To the extent that the group's results reflect greater than expected profitable results, excess premium would be returned to the group. The excess premium can be distributed on a pro rata basis or in proportion to each employer's contribution to the group results.
3. A 1.00 FTE Underwriting Specialist will be required to execute the terms of the program. This position will enroll group members, maintain communications with program participants, and monitor the group's loss experience. The position will start October 1, 2009, requiring 0.75 FTE in FY 2010. The position will be 1.00 FTE in FY 2011 and thereafter.

4. Total expenses of the workplace safety program are expected to be: \$86,377 - FY 2010; \$96,169 - FY 2011; \$98,372 - FY 2012; and \$100,631 - FY 2013. The expenses include personal services, website development, program applications, program announcement and acceptance notifications, safety brochures, workstation, chair, computer, phone, long distance, printing, and postage. An inflation factor of 2.5% was used on some of the expenses in FY 2011 – FY 2013.

Department of Administration

5. The state has 37 policies with Montana State Fund.
6. The experience of state agencies under the 37 policies is grouped into unique classification codes that apply only to the State of Montana. Montana State Fund supplies experience information to the National Council on Compensation Insurance (NCCI) which develops the unique class code rates for the state. According to Montana State Fund, the experience of the state is not blended with other customers covered by the fund.
7. If the experience is not blended with other businesses for purposes of determining class code, this bill should not have an impact on premium setting directly related to those costs. However, the bill does not prohibit transfer of risk from smaller employers to other employers covered by the Montana State Fund in order to meet overall statutory requirements for premium adequacy and actuarial solvency. Therefore the department is unable to determine what impact this bill may have on overall costs to the State of Montana as an employer.

Montana State Fund

| | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> | <u>FY 2012 Difference</u> | <u>FY 2013 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| FTE | 0.75 | 1.00 | 1.00 | 1.00 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$35,888 | \$51,506 | \$52,593 | \$53,707 |
| Operating Expenses | \$50,489 | \$44,663 | \$45,780 | \$46,924 |
| TOTAL Expenditures | \$86,377 | \$96,169 | \$98,373 | \$100,631 |
| <u>Funding of Expenditures:</u> | | | | |
| Proprietary (06) | \$86,377 | \$96,169 | \$98,373 | \$100,631 |
| TOTAL Funding of Exp. | \$86,377 | \$96,169 | \$98,373 | \$100,631 |
| <u>Revenues:</u> | | | | |
| Proprietary (06) | \$86,377 | \$96,169 | \$98,373 | \$100,631 |
| TOTAL Revenues | \$86,377 | \$96,169 | \$98,373 | \$100,631 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| Proprietary (06) | \$0 | \$0 | \$0 | \$0 |

 Sponsor's Initials

 Date

 Budget Director's Initials

 Date